



NASA OFFICE OF INSPECTOR GENERAL

SUITE 8U71, 300 E ST SW
WASHINGTON, D.C. 20546-0001

September 21, 2022

The Honorable Brian M. Tomney
Inspector General
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Subject: System Review Report on the Federal Housing Finance Agency Office of Inspector General Audit Organization

Dear Inspector General Tomney,

Attached is the System Review Report of the Federal Housing Finance Agency's Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response to the report is included as an attachment.

We appreciate the assistance, cooperation, and courtesies extended to our staff during the review.

Sincerely,

Paul K. Martin
Inspector General
Enclosure



NASA OFFICE OF INSPECTOR GENERAL

SUITE 8U71, 300 E ST SW
WASHINGTON, D.C. 20546-0001

SYSTEM REVIEW REPORT

September 21, 2022

The Honorable Brian M. Tomney
Inspector General
Federal Housing Finance Agency

We have reviewed the system of quality control for the audit organization of the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) in effect for the year ended March 31, 2022. A system of quality control encompasses FHFA OIG's organizational structure and the policies adopted and procedures established to provide a reasonable assurance of conforming in all material respects with *Government Auditing Standards*¹ and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of FHFA OIG in effect for the year ended March 31, 2022, has been suitably designed and complied with to provide FHFA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. FHFA OIG has received an External Peer Review rating of *pass*.

¹ FHFA OIG policies and procedures were reviewed using the 2018 version of the Government Auditing Standards. See, Government Accountability Office, *Government Audit Standards 2018 Revision* (GAO-18-568G), July 2018.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to FHFA OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether FHFA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on FHFA OIG's monitoring of work performed by IPAs.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.²

During our review, we reviewed applicable audit policy and procedures, and interviewed FHFA OIG personnel and obtained an understanding of the nature of the FHFA OIG audit organization, and the design of FHFA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with FHFA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of FHFA OIG audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the FHFA OIG audit organization. In addition, we tested compliance with FHFA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of FHFA OIG's policies and procedures on selected GAGAS engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with FHFA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies the engagements we reviewed.

² *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, March 2020.

Responsibilities and Limitation

FHFA OIG is responsible for establishing and maintaining a system of quality control designed to provide FHFA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and FHFA OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate over time.

Paul K. Martin
Inspector General

Enclosures

Scope and Methodology

We tested compliance with the FHFA OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 4 of 16 engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from April 1, 2021, through March 31, 2022. We also reviewed the internal quality control reviews performed by FHFA OIG.

In addition, we reviewed FHFA OIG’s monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2020, through March 31, 2022. During the period, FHFA OIG contracted for the audit of its agency’s fiscal year 2020 Information Security Program. FHFA OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

Our review was conducted during the coronavirus pandemic. Consequently, the majority of our work was performed virtually with limited visits to the FHFA OIG office in Washington, DC. We used CIGIE guidance³ to conduct our review. We reviewed FHFA OIG’s audit policies and procedures, continuing professional education and independence documents; interviewed management; surveyed staff; and completed checklists from CIGIE’s guide.⁴

We reviewed the following GAGAS Engagements performed by FHFA OIG:

Report Number	Report Date	Report Title
AUD-2021-008	6/17/2021	FHFA Did Not Always Follow its Policy for Monetary Awards, Recruitment Bonuses, and Retention Allowances during Fiscal Years 2019 and 2020; FHFA’s Excellence Awards Were Not Included in Agency Policy
AUD-2021-015	9/30/2021	Audit of FHFA’s Compliance with Laws, Regulations, and Policies Regarding Whistleblower Rights and Protections for Contract Workers Supporting Agency Operations
AUD-2022-004	1/5/2022	Audit of FHFA’s Hiring Practices
AUD-2022-006	3/30/2022	FHFA Adequately Designed and Implemented Controls to Detect and Prevent Improper Vendor Payments During Fiscal Year 2021

³ *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, March 2020.

⁴ We completed the following checklists: Appendix A Policies and Procedures (March 2020); Appendix B Checklist for the Standards of Independence, Competence and Continuing Professional Education, and Quality Control and Peer Review (March 2020); Appendix E Checklist for Performance Audits Performed by the Office of Inspector General (March 2020); and Appendix F Checklist for the Monitoring of GAGAS Engagements Performed by an Independent Public Accounting Firm (March 2020).

We reviewed the following monitoring file of FHFA OIG for contracted GAGAS engagements:

Report Number	Report Date	Report Title
AUD-2021-001	10/20/2020	Audit of the Federal Housing Finance Agency's Information Security Program, Fiscal Year 2020



OFFICE OF INSPECTOR GENERAL
Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

September 9, 2022

The Honorable Paul K. Martin
Inspector General
National Aeronautics and Space Administration
300 E Street S.W., Suite 8U71
Washington, DC 20546-0001

Dear Mr. Martin:

Thank you for the opportunity to comment on your office's External Peer Review Formal Draft Report on the Federal Housing Finance Agency Office of Inspector General (FHFA-OIG) Audit Organization. We have no comment on the draft report.

We are pleased to receive an External Peer Review rating of *pass*. Pursuant to the March 2020 CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, a *pass* rating issued from an external peer review is the highest rating that can be issued.

The *pass* rating from the external peer review validates that our system of quality control is suitably designed and provides reasonable assurance that our audits will be performed, and our audit results are reported, in conformity with applicable professional standards. FHFA-OIG remains committed to maintaining an effective system of quality control, complying with applicable professional standards, and abiding by its own internal policies and procedures.

We are most appreciative of the professional and thorough efforts of the National Aeronautics and Space Administration OIG staff who conducted the external peer review.

Sincerely,

Brian M.
Tomney

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M. Tomney
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Brian M. Tomney
Inspector General